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Greenhouse Gas Emissions Traders Refocus on State, Regional Programs

By **NATHANIAL GRONEWOLD**

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Carbon market enthusiasts have largely given up on the idea of federal legislation on greenhouse gas emissions. Instead, most are now looking to establish cap-and-trade in the United States gradually, through the spread of regional programs.

Experts see only grim prospects for future leadership on climate change coming from Washington after today's vote count is tallied. But they're all also optimistic that a move in California to end that state's emissions control program will fail. That failure, combined with a fresh climate action campaign among environmental groups expected next year, is seen as potentially boosting prospects for forming more state-led initiatives like the Western Climate Initiative (WCI).

Though much glummer than in the past, attendees gathered for the annual Carbon Market Insights Americas conference, hosted by market monitor Point Carbon, seem relatively undeterred by the prospect of an election victory for Republican congressional candidates today. Signs of pessimism among the carbon market crowd are in abundance. Attendance at this year's Point Carbon event is way down -- estimated to be at just more than 200, despite past events attracting between 600 to 700 people. And market insiders confirm that investors are pulling back from carbon market projects in general, though they haven't completely abandoned the field.

But pro-climate action efforts continue. Climate activists and many on Wall Street still think they can help make national carbon emissions trading become a reality, but more quietly, mainly through efforts directed at state capitols and via regulators like U.S. EPA and the Securities and Exchange Commission.

A market will grow, but outside the Beltway

"I can't say Washington has become unimportant or less important," said David Hunter, U.S. director for the International Emissions Trading Association in an interview. Nevertheless Hunter acknowledged that any movement on climate coming from the nation's capitol next year would be "difficult," and that the focus of efforts will likely shift away from the goal of establishing a large cap-and-trade program toward fleshing out EPA regulations and promoting state action instead.

IETA has no plans to scale down its presence in Washington as it seeks to help steer future EPA regulations and a hoped-for compromise between Democrats and Republicans on climate and energy issues. And though Hunter and others acknowledge that GOP control of the House of Representatives would effectively put an end to efforts to set up a European-style emissions trading program here, carbon market proponents are far from calling surrender.

Rather, they say they are more closely following California's Proposition 23 up for vote today that, if passed, would put that state's climate change initiatives on hold. The expected defeat of this anti-A.B. 32 drive will be the confirmation many say they need to move forward on a new strategy, what most are calling an "incremental" approach whereby success is achieved through cobbling together cap and trade through regional systems that would eventually cover most of the United States and Canada anyway.

This includes the existing Regional Greenhouse Gas Initiative (RGGI), the 10-state program that regulates emissions from large power generators and raises revenues by auctioning allowances. Also, experts say the survival of California's A.B. 32 would pave the way for the WCI, a RGGI inspired system that would cover most of the U.S. West and the largest Canadian provinces if fully realized. These systems combined with a proposed Midwestern Greenhouse Gas Reduction Accord (MGGRA), could eventually put the majority of the U.S. population under some type of regime.

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